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SUBJECT: PRT HERAT: SIX MONTH REPORT

11. (SBU) SUMMARY: Herat Province is a region of significant but still unrealized economic potential. During the past six months, the security situation has deteriorated, as has confidence in GOA institutions and leaders. Key sectors, such as the judiciary, require reform, and additional police forces are necessary to stabilize the province. Herat is ably led for the most part by the Governor and Provincial Council (PC), but they face huge challenges. Shindand District in the south remains volatile. END SUMMARY

Shindand District: Need for Stabilization

12. (SBU) The most urgent problem facing Herat Province over the past six months has been the stabilization of Shindand District following the violent assassination of Pashtun warlord Amanullah Khan last fall. More than 500 police are now deployed to Shindand from the Special Police Reserve in Kabul. There is a need for firm but creative leadership at the local level. Amanullah Khan's death left a vacuum from which the local leadership is still struggling to recover. The former Shindand district governor has resigned in frustration. The warring Noorzai and Barakzai Pushtun tribes have apparently reconciled, but this may be short-lived. The local police have divided loyalties in an area that has traditionally been outside central government control. The various new police forces (civil-order, auxiliary) are in a nascent stage and are unprepared to assume the mantle of authority in order to fulfill their mandate. The fact that the Iranian border is so close further complicates the district's problems.

GOVERNANCE

Political Parties Speak Up

13. (SBU) Political parties in Herat are frustrated with the current political process. Many fear a balkanization of the country along ethnic and religious lines. In Herat, the Shia minority has become a reckoning factor since the Ashura riots last year. The DIAG process is widely considered ineffective. Corruption is pervasive. The past year has witnessed a rise in Taleban activity, including a number of

IEDs and VBIEDs in Herat which are highly unusual for this normally placid city.

Ethnic Issues

¶4. (SBU) In some ways, the central government has exacerbated ethnic tensions in Herat by its appointments to office. The Governor is a Hazara and the Regional Police Commander is Uzbek, with the new ANP Police Chief and the new ABP 6th Brigade Commander both Pashtun, leaving the Tajik majority disgruntled. Iranian influence in the West and in Herat, in particular, has resulted in increased Shia awareness, which is fanned by Iranian intelligence elements. The Iranian objective seems to be to limit coalition control of the province.

Internal Government Relations

¶5. (SBU) The Provincial Council (PC) is still finding its way. Because of resource constraints, they are not well known as community leaders yet. In particular, in rural areas awareness of the PC's efficacy is limited. Governor Anwari does engage the PC and seems to enjoy cordial relations; he tries to include select PC members on his community outreach excursions to outlying districts. Provincial development plans are not well coordinated. Relationships between Parliamentary leaders and provincial officials are also slowly being coordinated. There is a steep learning curve. During 2006, many Heratis lost patience and confidence in their elected leadership because of unrealistic promises unfilled or abuses by local

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authorities. Based on anecdotal reports from embedded trainers, ANA and ANP rank and file have reportedly on several occasions abused and mistreated citizens, leading to estrangement.

THE ECONOMY

The Private Sector

¶6. (SBU) Because it has access to electricity 24 hours a day and seven days a week, Herat is the economic engine of the western region. The Ring Road has been a strong catalyst for growth. However, 2006 was not a stellar economic year for the region. Local business leaders are complaining that Iranian export subsidies have begun to erode industrial capacity in Herat. Producers say they cannot match the subsidized Iranian prices and claim that products from Iran have forced Herati producers to reduce their own production. The two hardest hit industries have been marble and canned tomato producers. The central government appears unwilling or unable to help Herati businessmen. For example, the Ministry of Commerce has granted local industries an import duty exemption for 3-6 years on raw materials imported for domestic manufacturing. The Ministry of Finance, however, applies a 2.5 percent import duty on imported raw materials in addition to a four percent surcharge. The local MOF Director has stated that his responsibility is to raise domestic revenue. (Comment: Companies that enjoy tax holidays were formed before the 2004 enactment of the Investment Law that does not provide for any investment incentives. End Comment)

The Drug Trade Impact

¶7. (SBU) The lack of new construction is directly tied to the absence of more effective drug elimination and eradication efforts, according to the Chamber of Commerce. The drug trade is now dominated by a few key players who have connections to the highest levers of power in the province

and the country. The local farmer is no longer at the center of the drug supply chain. In fact, many Heratis argue the most significant factor in the growth of the trade is the government itself. This is in contrast to the growing areas in Helmand, Farah and Kandahar provinces. Reportedly, an increase in demand for imported durable goods is directly related to a wealth effect among drug dealers. In addition, many of the new buildings and much of the new investment in the city are connected to increased profits from drug exports.

¶18. (SBU) The number of officials directly benefiting from the lucrative drug trade continues to rise as the role of the narco-economy expands and fuels the local economy. Endemic unemployment in Herat is a factor in the evolving narco-economy, since many feel they have no choice but to join the illicit economy in the absence of tangible alternatives. The number of internally displaced persons in Herat has also increased, partially because of the continuing drought. People in search of work continue to look to Iran for employment, whether they go legally with a visa or simply try to slip across the border.

¶19. (SBU) Unemployment is growing again, resulting in increased population shifts to Iran and Pakistan. Several NGO's have reduced operations, with some letting go about 30 percent of their local staff in recent months. Skilled laborers who were employed in the construction sector have lost their jobs. Winter in particular was a very slow time, compounded by drought conditions that led to an increase in competition for jobs since so many people fled to cities like Herat.

The Salma Dam -----

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¶10. (SBU) Salma dam is the major large-scale construction project in the province, located in Chiste Sharif district, close to the Ghor Province border. It is being financed by India and is scheduled for completion in 2008. Security is weak and residents suffer from the continuing drought. The road to Chiste Sharif is in bad condition. The Indians feel that inadequate security represents the greatest threat to the dam project and they are concerned about possible sabotage against the dam.

Other Construction -----

¶11. (SBU) Schools are under construction and many have opened in the province. Health clinics are also being constructed by international NGO's and UN agencies. The sole public hospital in the city is supplied regularly by the GOA and other international donations. The needs however are great, practically insatiable, especially in the more remote districts. A first-class hospital with adequate, professional medical staff is a priority for the city. A new burn center has been financed by the USG and is almost completed. The burn center will still require additional equipment.

Transportation -----

¶12. (SBU) Herat is renowned for having a greater number of paved roads and infrastructure relative to other parts of Afghanistan. One key reason has always been Herat's key strategic location. The Ring Road (the portion thus completed) has also been a major boon for development in the region. Herat is the main crossroads from Afghanistan to both Turkmenistan and Iran. The Iranian road extension to the border from the city has been very well received. Plans for a rail connection to Meshad, Iran from the city are well advanced. When completed, the railroad will connect

Afghanistan to Europe through Iran; thus it is expected not only to increase bilateral trade with Iran, but also expand Afghanistan's trade with Europe. The Road to Badghis province should also be paved in the near future, which will improve traffic and travel times between these two western provinces.

Electric Power

¶13. (SBU) Herat is an exception in Afghanistan in terms of access to electrical power and a reliable supply. The price per KVA is also reasonable. Five out of fifteen districts in the province have regular electric power. Three more districts in the province are due to be connected to 24 hour electric power access within the next six months. The city power department does not have adequate equipment or financial resources for salary payments and other obligations. Several of the outlying districts in the province that are not yet connected to the main electric grid are using GOA-provided diesel power generators that supply the district capitals with five hours of electricity every evening.

SECURITY

Need for More Police/Additional Training

¶14. (SBU) Herat is a large and diverse province that requires additional police forces urgently. The issue is even more acute in the outlying districts. During evening hours, Herat is not adequately patrolled and is a time when many IED set-ups are conducted. Crimes such as robbery increase greatly during the evening hours. The new Regional Police commander has requested an additional 200 police from MOI. He would like to establish additional checkpoints in the volatile ZireKoh valley of the Shindand district. Confidence in local courts is not high, although there are promising

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signs that the new female Chief Prosecutor might begin to change this around. The leading cause of dissatisfaction is the pervasive corruption that infects public institutions. Serious and concerted judicial reform remains a priority. Many disputes are handled by local elders; family issues are usually settled by Shuras in a non-violent manner.

Confidence in Karzai

¶15. (SBU) Security and economic challenges dominate the concerns of ordinary Heratis. Many feel Karzai is not up to the task. His record of appointments also is not something that has inspired Heratis. People are aware the international community has stepped forward to assist; they also understand that after five years of major contributions by countries such as the U.S., they are yet to tangibly benefit in their own villages and towns. Unemployment and insecurity are the principal issues in Herat. People often make unfavorable comparisons to the Taliban period. The lack of accountability in the judiciary and other core institutions has compounded the lack of confidence by Heratis in their own elected leadership. They feel that if AG Sabit's anti-corruption drive fails, the effect will be worse than having started at all. Some are already saying there is no bite to the bark. Meanwhile, Iranians have backed their long-term commitment to the region with over USD 500 million in aid pledged. Relations with sister-city Meshad go far beyond neighborly relations.

COMMENT

¶16. (SBU) Conditions in Herat are similar to challenges we face throughout Afghanistan. The security situation seems to

be worsening, and reconstruction efforts are stymied as NGOs wind up their projects, which has led to even greater unemployment. Five years after the fall of the Taliban, they still represent a threat to a city and province that has vast economic promise. The province is stable but not fully secure. Iran has achieved de facto status as the major regional power and has much sway over the intellectual, cultural and political elite in the province. END COMMENT
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